Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Text

CONFIDENTIAL

PAGE 01 JIDDA 06135 061658Z

43
ACTION SS-25

INFO OCT-01 ISO-00 /026 W
---------- 129674
R 061220Z SEP 75
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 2327
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
EC BRUSSELS
AMEMBASSY CAIRO
AMEMBASSY CARACAS
AMEMBASSY COPENHAGEN
AMEMBASSY DOHA
AMEMBASSY THE HAGUE
AMEMBASSY JAKARTA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LOND D
AMEMBASSY ROME
OECD PARIS
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
AMEMBASSY BRASILIA
AMEMBASSY KINSHASA
AMEMBASY NEW DELHI
US MISSION NATO 18
AMEMBASSY QUITO

C O N F I D E N T I A L JIDDA 6135

EXDIS

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JIDDA 06135 061658Z

E.O. 11652: GDS

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

TAGS: ENRG, SA, US
SUBJECT: FURTHER TO UPCOMING OPEC OIL PRICE INCREASES

REF: JIDDA 6009

SUMMARY: PET MIN YAMANI TOLD ME ON SEPTEMBER 2 THAT HE WAS UNABLE TO COLZINCE THE HSAH TO ACCEPT AN OIL PRICE INCREASE BELOW 15 PERCENT. HE REPORTED THE HSAH INSISTED THAT "THE AMERICANS" HAD ALREADY AGREED TO A SUBSTANTIAL INCREASE. END SUMMARY.

1. I SAW YAMANI AGAIN THE MORNING OF SEPTEMBER 2. HE SAID THAT THIS MEETING WITH THE SHAH ON THURSDAY, AUGUST 28 WAS A "DISASTER." HE SAID THE SHAH REPEATED THAT A PRICE INCREASE OF 35 PERCENT WOULD GE JUSTIFIED BUT HE WOULD SETTLE FOR A 20 PERCENT INCREASE., I.E. $2.30/BBL BASED ON AN $11.50 SELLING PRICE. YAMANI SAID THAT HE ARGUED AT LENGHT FOR NO PRICE INCREASE, THAT THERE MUST BE A FREEZE AT LEAST UNTIL JANUARY WHEN THE RL ULTS OF THE PRODUCER/ CONSUMER CONFERENCE WILL BE KNOWN. THE HSAH FINALLY COMPROMISED BY AGREEING THAT HE WOULD NOT FIGHT A 15 PERCENT PRICE INCREASE (I.E. A $1.70/BBL) IF ALL THE OTHER MEMBERS OF OPEC AGREED. HE WOULD NOT SETTLE FOR ANYTHING LESS.

2. YAMANI SAID HE THOUGHT THE SHAH MIGHT EVENTUALLY BE WILLING TO ADJUST TO 15 PERCENT OF CURRENT GOVERNMENT TAKED (I.E., AN INCREASE OF ABOUT $1.55/BBL) BUT THAT HE WOULD PROBABLY NOT AGREE TO ANYTHING LOWER, THAT HE WOULD FITHT ANYONE WHO ADVOCATED A LOWER PRICE, AND HE WAS FIRMLY CONVINCED THAT EVERYONE IN OPEC WOULD SUPPORT HIM EXCEPT SAUDI ARABIA. YAMANI SAID HE OFFERED A "NOMINAL" INCREASE OF 5 PERCENT (C. 50V CENT/BBL.) BUT THE SHAH SAID THAT WOULD BE TOTALLY UN- ACCEPTABLE. THE SHAH, ACCORDING TO YAMANI, SAID HE SAW NO REASON WHY THE SAUDIS WERE TAKING SUCH A FIRM LINE AS "THE AMERICANS" AHD ALREADY AGREED TO A SUBSTANTIAL INCREASE. HE SAID HE HAD RAISED THIS WITH "THE AMERICANS" DURING HIS RECENT TRIP TO AMERICA AND FOUND THEM

PERFECTLY UNDERSTANDING. I SUGGESTED THAT YAMANI RE-
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 JIDDA 06135 061658Z

PEAT THIS TO SECRETARY KISSINGER WHEN HE ARRIVED.

3. THE SECRETARY RAISED THE SUBJECT OF OIL PRICES WITH BOTH CROWN PRINCE FAHD AND KING KHALID. HE SAID, SPEAKING PURELY FROM A POLITICAL POINT OF VIEW, ANY PRICE INCREASE WOULD BE USED AGAINST THE ARABS BY THEIR ENEMIES IN THE UNITED STATES IN ORDER TO PROVOKE A CONFRONTATION BETWEEN PRODUCERS AND CONSUMERS AND EVENTUALLY TO "POLARIZE THE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

AREA." THE SECRETARY THOUGHT THAT ANY PRICE INCREASE
WOULD SURELY NOT BE IN THE INTEREST OF THE ARABS. IN A
SUBSEQUENT CONVERSATION WITH YAMANI, YAMANI REPEATED TO
THE SECRETARY EVERYTHING HE HAD SAID TO ME (PARA. 1).
THE REPRT WAS CONFIRMED BY FOREIGN MINISTER PRINCE SAUD
WHO HAD ALSO SEEN THE SHAH. THE SECRETARY DENIED VIGOR-
OUSLY THAT THERE HAD BEEN ANY AMERICAN AGREEMENT TO ANY
PRICE INCREASE IN ANY CONVERSATION WITH THE SHAH AND HE
REPEATED TO YAMANI THE POLITICAL DISADVANTAGES IN ANY
PRICE INCREASE. YAMANI SUGGESTED WE TALK WITH OTHER
OPEC LEADERS ABOUT THIS.

4. AL MADINA CARRIED AN ARTICLE ON AUGUST 31 STATING
THAT SAUDI ARABIA WOULD NOT CALL FOR A FREEZE IN OIL
PRICES, BUT WOULD ASK FOR A LIMITED RISE OF 15 PERCENT.
THIS IS THE FIRST INDICATION IN THE SAUDI PRESS THAT THE KINGDOM
WOULD SUPPORT ANY INCREASE IN PRICES AT THE FORHLCOMING
OPEC MEETING.
AKINS

CONFIDENTIAL

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 SEP 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975JIDDA06135
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750309-0358
From: JIDDA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750976/aaaacpfm.tel
Line Count: 134
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 75 JIDDA 6009
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by BoyleJA>; APPROVED <16 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FURTHER TO UPCOMING OPEC OIL PRICE INCREASES
TAGS: ENRG, SA, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006